

## **Towards a new European Neighbourhood Policy (ENP): A Moldovan perspective**

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### ***Introduction***

Moldova has been one of the most active countries of the European Neighbourhood Policy (ENP) and the Eastern Partnership (EaP). In 10 years, it has succeeded to upgrade its relationship with the EU from cooperation and partnership to political association and gradual economic integration. Moldova has been among the first EaP states that negotiated and then signed the Association Agreement (AA) including the Deep and Comprehensive Free Trade Area (DCFTA) with the EU. It has successfully concluded the visa liberalization dialogue with the EU, which allowed the later to lift visa requirements for Moldovan citizens who hold biometric passports. Around 360 000 people took advantage of this opportunity in 2014<sup>1</sup>. EU bilateral assistance to Moldova under the European Neighbourhood Instrument (ENI) sharply increased from € 40 million in 2007 to € 131 million in 2014. Moreover, Moldova has managed to implement with the EU Common Aviation Area Agreement signed on 26 June 2012. In August 2014, Moldova took its first step towards improving its energy security of supply with the inauguration of the Iași (Romania) – Ungheni (Moldova) gas interconnector that was built with the EU assistance.

On 1 September 2014, Moldova has started the implementation of the AA and DCFTA with the EU. The parliamentary elections, which took place on 30 November 2014, were very much expected to provide Moldova with a solid pro-European parliamentary majority and a stable Government with a convincing reform mandate essential for implementing the Association Agenda with the EU. Unfortunately, contrary to all expectations, Moldova has entered into a period of political uncertainty that could jeopardize its European integration perspectives. Consequently, for many Moldovans the key question is: Is Moldova able to implement the AA and DCFTA? The pro-European parties (Democratic, Liberal-Democratic and Liberal Parties) that won the elections failed to form a majority coalition in the newly elected Parliament. Society is increasingly frustrated with the governance record of the pro-European authorities and political parties<sup>2</sup>. In the second half of 2014 the implementation of the Justice Sector Reform Strategy has noticeably slowed down<sup>3</sup>. Corruption has become endemic and systemic in

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<sup>1</sup> Joint Communication to the European Parliament, the Council, the European Economic And Social Committee and the Committee of the Regions, “Implementation of the European Neighbourhood Policy in 2014”, Brussels, 25.3.2015, SWD(2015) 69 final, page 2.

<sup>2</sup> Institute of Public Policies (IPP), Barometer of Public Opinion, & April 2015, [http://www.ipp.md/public/files/Barometru/BOP\\_04.2015\\_prima\\_parte\\_finale.pdf](http://www.ipp.md/public/files/Barometru/BOP_04.2015_prima_parte_finale.pdf)

<sup>3</sup> Joint Communication to the European Parliament, the Council, the European Economic And Social Committee and the Committee of the Regions, Implementation of the European Neighbourhood Policy in 2014, Brussels, 25.3.2015, page 6, [http://eeas.europa.eu/enp/pdf/2015/repulic-of-moldova-enp-report-2015\\_en.pdf](http://eeas.europa.eu/enp/pdf/2015/repulic-of-moldova-enp-report-2015_en.pdf);

Moldova<sup>4</sup>. Being increasingly disappointed with the path and quality of reforms implemented by the pro-European parties, the society is less optimistic about Moldova's European integration prospects. During the 6 years rule of pro-European governments, Moldovans' support for European integration has decreased from 63% in 2009 to 32% in April 2015. Concurrently, the public support for Moldova joining Customs Union with Russia-Belarus-Kazakhstan has reached 50% in April 2015<sup>5</sup>.

### ***1. The Challenges of Differentiation***

Moldova supports the ENP as a general policy framework for its members, nevertheless, it is pledging for a clear cut distinction between ENP's South and East dimensions, between the Eastern Partnership and the Mediterranean Union, between the European and non-European neighbours of the EU. Moreover, past five year have shown that even the Eastern Partnership is not a monolithic group of countries, on the contrary, its members have different level of ambitions when it comes to their relationships with the EU. Moldova, Georgia and Ukraine stated repeatedly that they want to become members of the EU. Armenia and Belarus have become part of the Eurasian Union and, in this context, would prefer rather an enhanced partnership and cooperation agreement with the EU, than an association agreement with the later. On its turn, Azerbaijan opts for a strategic partnership with the EU focused above all on energy security<sup>6</sup>, thus trying to play a balanced act between Moscow and Brussels, as well as to keep the EU out of its domestic processes.

Also, the scope and depth of domestic reforms differ from one EaP country to another. Unlike Azerbaijan, Armenia and Belarus, the AA has engaged Moldova, Georgia and Ukraine in a comprehensive legal and institutional harmonization with the EU standards. Yet, in the past 8 months, it has become obvious that the AA and DCFTA implementation is not going to be an easy ride for Moldova. Political elite intertwined with oligarchic interests is more concerned with its political survival than with implementing far reaching structural reforms included in the association agenda. Consequently, there a mounting need of boosting society reform pressure over increasingly conservative political class. In the view of Moldovan pro-European civil society, this could be achieved by offering to Moldova a clear cut EU membership perspective, or, given the lack of the later, by applying a deeper differentiation that would encompass persuasive economic, financial, social and political incentives for those countries that are willing and determined to build closer political and economic relations with the EU.

At the same time, a more flexible approach has to be put in place with regard to Azerbaijan, Armenia and Belarus, counties which because of various domestic and external reasons are not

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<sup>4</sup>Briefing Book from Development Partners of Moldova, January 2015, [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/03/25/000333037\\_20150326093947/Rend ered/PDF/952500WP00PUBLOBriefingBook0english.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/03/25/000333037_20150326093947/Rend ered/PDF/952500WP00PUBLOBriefingBook0english.pdf);

<sup>5</sup> Institute of Public Policies (IPP), Barometer of Public Opinion, & April 2015, [http://www.ipp.md/public/files/Barometru/BOP\\_04.2015\\_prima\\_parte\\_finale.pdf](http://www.ipp.md/public/files/Barometru/BOP_04.2015_prima_parte_finale.pdf)

<sup>6</sup> APA, President Aliyev believes EU will give priority to strategic partnership with Azerbaijan, [http://en.apa.az/xeber\\_president\\_aliyev\\_believes\\_eu\\_will\\_give\\_p\\_226307.html](http://en.apa.az/xeber_president_aliyev_believes_eu_will_give_p_226307.html)

yet ready or willing to engage themselves in political association and economic integration with the EU. This flexible approach should be guided by common shared achievable objectives that would increase the economic, social and connectivity synergies between those countries and the EU. Thus, instead of the AA, the EU could propose to the afore-mentioned countries the negotiation of enhanced partnership agreements that would put emphasis on common values and joint cooperation interests, as well as would reflect the level of the European ambition of the concerned country. At the same time, despite their differences, majority of the Eastern Partnership countries are interested in being part of a wider common area of economic prosperity based on WTO rules and sovereign choice. Yet, not every country is ready to accept the DCFTA conditionality. Therefore, light DCFTA option shall be conceived for those Eastern Partnership members that are for now reluctant to accept the economic integration dimension of the current AA. The light DCFTA option could be based as well as on a broad regional compromise that would appease/accommodate also the reasonable concerns of the Russian Federation.

## ***2. Focus***

It is clearly that the ENP including the Eastern Partnership need a more focused approach to developing the member countries' relations with the EU. In the case of Moldova it should be a complimentary tool of implementing its Association Agenda with the EU. No doubt, inclusive & sustainable economic development, transport and energy connectivity, security, democratic governance, migration, health, environment, gender and youth, all of them are areas of paramount interest to Moldova. However, the priority focus should be put, first of all, on democratic good governance, inclusive & sustainable economic development, transport and energy connectivity and strengthening security.

Moreover, it is critical important to add to this list also the area of rural development. Rural development is a strategic priority of the Republic of Moldova. Around 58% of Moldovan population are living in the rural areas, which are considered the less developed territories of Moldova. The employment rate in the rural areas is the lowest in the country. It has decreased significantly from 59% in 2000 to 36% in 2011. This negative trend has been caused by low employment opportunities, declining number of economically active population, low wages in the agricultural sector, insufficiently diversified economic activities, weak service sector, underdeveloped social and economic infrastructure, etc... Consequently, rural active work force is migrating massively outside the country.

In order to address efficiently the afore-mentioned priority areas of cooperation, the policy tools used by the EU in Moldova must be based on a convincing positive and negative conditionality, which means that the "More for More" principle has to be strengthened and used hand in hand with the "Less for Less" principle. To avoid situations when the new laws and institutions are not functioning as expected, the quantitative reform targets have to be matched by qualitative reform benchmarks. The direct budget assistance and trade incentives have to be linked with qualitative reform deliverables. EU should consider investments in strategic areas of national economy in exchange for clear cut progresses in implementing DCFTA requirements. Also, EU has to devise mechanisms of rewarding the Small & Medium Enterprises (SME) with grants and low cost credits in exchange for substantial efforts to modernize themselves. Furthermore, local

authorities have to be encouraged to play a proactive role in promoting rural development by offering them grants for concrete projects that have to be devised in partnership with local civil societies and business communities.

### ***3. Flexibility – Towards a More Flexible Toolbox***

Moldova has chosen to develop the political association and economic integration with the EU. It has already started the provisional implementation of the Association Agreement including DCFTA and hopes that the next step in its relationship with the EU would be a clear-cut membership perspective of the latter. At this stage Moldova – EU partnership is guided by the Association Agenda comprise well defined commitments and actions. Unfortunately, after Moldova has signed the Association Agreement, its governing political class has slowed down their drive for internal transformations. Instead, it is more and more reluctant to make reforms that are endangering its political survival and challenge its control over local economy and finances.

A “More Flexible Toolbox” in the hands of reform reluctant political class will jeopardize the implementation of the Association Agenda. Almost certainly, flexibility will be used as a justification by Moldovan politicians to delay key reforms or even worse to downgrade the ambition of the Moldova’s’ partnership with the EU. Instead Moldova needs a strengthened “More for More” principle that would empower society of the political class, by exercising over the latter a permanent pressure/demand for reform deliverables. Yet, in our view, this can be achieved only by equipping the “More for More” principle with its ultimate and most persuasive objective of long term EU membership. As long as, “More for More” will be short of this promise, it will remain an incomplete, unconvincing, ineffective and mistrusted principle.

On the other hand, Russian military aggression in Ukraine has weakened the security of entire region. With an unresolved “frozen conflict” in its backyard and an increasingly divided society, Moldova feels more than ever vulnerable and insufficiently prepared to deal with the current external challenges. Security uncertainty is endangering Moldova’s domestic stability and as well as its ability to implement the Association Agreement and DCFTA with the EU. Consequently, security reform has to become a permanent issue on the EU’s cooperation agenda with Moldova. The EU has to assist Moldova to undertake a comprehensive reshuffle of its security sector in accordance with the EU standards. This effort shall help Moldovan authorities to streamline their security policy strategic planning, decision-making, coordination, as well as interagency communication.

A special attention must be given to strengthening the decision making and coordination role of the National Security Council, which by acting too often reactively risks falling in oblivion. Reforming the Information Security Service (ISS) is another important prerequisite for an efficient national security policy. Still, after 24 years of independence, ISS working stiles resembles more like a soviet stile security institution. The defense planning and defense capabilities of Moldovan army have to be enhanced. The police reform has to be speed up, putting a stronger emphasis on enhancing operational capabilities of Moldovan police. Last but

not least, it is crucial to strengthen Moldova's cyber security. At the same time, the EU has to enhance its ability to respond more effectively to the security challenges faced by the EaP countries. In case of Moldova, it can be achieved by organizing regular Common Foreign & Security Policy (CFSP) and Common Defense and Security Policy (CDSP) monitoring missions in Moldova. EU and Moldova could also set up a joint security reform working sector group and/or to agree on providing Moldova with a security sector reform EU advisory mission. Expanding the mandate of the EU Border Assistance Mission to Moldova and Ukraine (EUBAM) to issues related to the security sector reform should also be considered.

#### ***4. Ownership & Visibility***

The political association and economic integration are Moldova's key ENP interests. Moreover, ENP including the Eastern Partnership (EaP) are perceived by Moldova as a transitional phase in its pursuit of the membership perspective to the EU. Therefore, in the past 5 years, it has focused its efforts on exploiting as much as possible the ENP and EaP offer to strengthen political relationship with the EU, to enhance democratic governance, to open as much as possible the EU common market to Moldovan exports, to build energy interconnectors with EU that would ease energy dependency on Russia gas imports, to modernize national transport infrastructure with the EU assistance, to increase mobility of Moldovan citizens within Schengen area by liberalizing visa regime with the EU.

As a result of those endeavors, Moldova managed to fulfill visa liberalization requirements with the EU. Only in 2014, more than 360,000 Moldovan citizens traveled without visa to the EU member states. A comprehensive Justice Reform Strategy 2011 – 2016 is being implemented. EU imports increased in 2014 by 20% amounting to EUR 1.16 billion. Following the removal of tariff rate quotas for Moldovan wine, the value of imports to the EU grew by 10 %. Moldova progressed on standardization, having integrated 2 060 European standards in the domestic framework and withdrawing 1 090 conflicting standards. In August 2014, Moldova made its first important step towards improving its energy security of supply by launching the Iasi (Romania) – Ungheni (Moldova) gas interconnector. Young people and youth organizations benefited from Erasmus +, with 868 participants in mobility projects and 96 in the action for young people and decision-makers in the field of youth. Health facility infrastructure has improved significantly. The new surgical block of the Republican Clinical Hospital in Chisinau was equipped with the most advanced medical devices and more than 150 health centers in rural areas were renovated and supplied with medical equipment.

The Association Agreement and DCFTA require Moldova to absorb a greater amount of EU legislation, institutional, policy and technical standards that would gradually increase its democratic, institutional, legislation, and economic compatibility with the EU member states. Therefore, the political association and economic integration with the EU cannot be a partnership of equals. Instead, for Moldova is much more important to build a mutually beneficial and ever growing/deepening partnership with the EU.

As the experience of Central European, Baltic and Western Balkan countries' show the implementation of the Association Agreements and Free Trade Areas are not at all an easy and

free ride. A clear cut even distant EU membership perspective could help Moldova to bear more easily the political, economic and social costs of the reforms required by the political association and economic integration with the EU. Yet, even if the EU is not ready to grant Moldova a membership prospect, it still can accommodate better Moldova's aspirations and interests by treating it as a potential aspirant country.

It could be done by adapting the enlargement instruments to Moldova's needs and challenges in order to help it to implement Association Agreement and DCFTA. For instance, the European Commission can be authorized to use **Screening** to carry out a detailed examination, together with the association country, of each policy field (chapter). The findings by chapter would be presented by the Commission to the Association countries in the form of a screening report. The conclusion of this report would be a recommendation of the Commission to either grant the membership perspective or to require that certain conditions – opening benchmarks - should first be met. In this way, screening mechanism would become a very powerful reform driver in Moldova.

Moreover, the EU should apply in Moldova, as well as in Ukraine and Georgia, the experience of the Instrument for Pre-accession Assistance. Thus, in order to increase its impact, EU financial assistance has to be concentrated on the areas where reforms or investments are most needed to meet membership criteria and should be tailored to take into account the capacities of the country to meet these needs. Also, indicative financial allocations shall allow for an appropriate amount of assistance to remain available as a 'reward' on the basis of an assessment of performance and progress over a period of several years.

At the same time, the ENP has to deliver more practical and publicly visible benefits within a shorter timeframe. In the case of Moldova, it can be done by channeling more assistance to supporting sustainable agricultural and rural development. Here again the experience of the Instrument for Pre-accession Assistance is of great value. EU should aim to help local authorities to increase the standard of living for farmers by supporting them to promote sustainable farming methods, to modernize agricultural infrastructure, to increase the quality of their agricultural products, to set-up rural development micro-credit network, as well as to establish a stable and safe food supply at affordable prices for consumers. Additionally, the EU should encourage an inclusive rural development by supporting Moldovan local authorities to build development partnerships that would engage local authorities, local entrepreneurship and local civil society organizations. The Local Action Groups (LAGs) for rural development created in many EU member states could provide Moldova with a positive experience on this matter.

On its turn, Moldova must enhance the good governance by increasing the efficiency of its state institutions including in the judicial sector and by combating steadfastly the corruption at all levels.

##### ***5. Neighbours of the neighbours.***

The ENP and Eastern Partnership (EaP) are perceived by Russia as geopolitical instruments designed to challenge its so called "legitimate interests" in the post-soviet area/near

neighbourhood. Therefore, Russia is staunchly opposing Moldova's political association and economic integration with the EU by applying political pressure, trade blockades, energy threats, using media propaganda, as well as by openly supporting anti-European political parties and civil society organizations. In past 5 years, Moldovan authorities tried to promote a permanent dialog with Russia on different levels, nevertheless it has failed to appease Russia's concerns over Moldova's European integration policy. Building a cooperative and coherent agenda with Russia has to be a priority of the ENP and EaP. However, this would be very hard to achieve as long as Russia continues on confrontation path with the EU, which threatens the security of the EaP countries. Certainly, Russia has to be engaged in a dialogue on issues of common interests with the EU and EaP countries, such as energy, economic and trade relations and regional security. For that reason, the ENP/EaP could propose to Russia mid and high level regular thematic consultations. At the same time, the EU has to remain steadfast in helping the EaP states to withstand the Russian economic, political, propagandistic and even military pressures. Of course, that would entail from the EU not only regular foreign and security policy consultations with the EaP states, but as well as to put in place a range of credible economic, trade and political incentives and sanctions designed to offset Russia's destabilization actions.